

NOTICE AND AGENDA
BIG PLAINS WATER AND SEWER SPECIAL SERVICE DISTRICT
Board of Directors
Regular Meeting

Public notice is given that the Big Plains Water And Sewer Special Service District, Apple Valley, Washington County, Utah will hold a **regular meeting** on **Thursday, February 7th, 2019** at the **Apple Valley Town Hall**, 1777 N. Meadowlark Dr., Apple Valley, Utah, commencing at **6:00 PM** or shortly thereafter. In accordance with state statute, one or more council members may be connected via speakerphone.

The Agenda for discussion and action is as follows:

Call to Order/ Pledge of Allegiance/ Roll Call

Engineering - Rod Mills

1. Canaan Springs Main Line
2. Board Annual Training

Water Superintendent Report - Dale Harris

3. Report

Policies / Procedures / Policies - Harold Merritt

4. General SSD Report

Future Needs / District Expansion - Marty Lisonbee

5. Outlying Wells and Basin Closure Efforts

Water System / Piping / Meters - Denny Bass

6. Septic Tanks, Ponds, Treatment system and Policy Ideas- Jepson Canyon Project

Wells / Human Resources - Ross Gregerson

7. Report

Construction / Acquisition - Neil Duncan

8. 150,000 Gallon Tank New Location

Consent Calendar

9. Consent Calendar Packet for December 2018

Discussion on Draft of FY 2018 Independent Auditors Report By Hinton Burdick

Request for a Closed Session

Adjournment

THE PUBLIC IS INVITED TO PARTICIPATE IN ALL COMMUNITY EVENTS AND MEETINGS

In compliance with the American with Disabilities Act, individuals needing special accommodations (Including auxiliary communicative aids and services) during this meeting should notify Michelle Kinney at 435-877-1190.

Backup material for agenda item:

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Big Plains Water & Sewer Special Service District

Operational Budget Report

51 Big Plains Water & Sewer SSD - 07/01/2018 to 12/31/2018

50.00% of the fiscal year has expired

	Prior YTD	Current Month	Current YTD	Annual Budget	Percent Used
Income or Expense					
Income From Operations:					
Operating income					
5140 Water Sales	87,871.01	12,100.32	99,620.97	189,462.00	52.58%
5150 Water Standby Fees	1,765.08	2,939.84	19,048.22	39,500.00	48.22%
5310 Connection Fees	7,090.00	5,000.00	25,287.97	50,000.00	50.58%
5410 Late Penalties and Fees	0.00	416.54	5,260.15	30,000.00	17.53%
5490 Other Operating Income	4,000.00	4,420.00	26,514.45	15,000.00	176.76%
Total Operating income	100,726.09	24,876.70	175,731.76	323,962.00	54.24%
Operating expense					
6010 Clerical Contractor Labor	11,275.00	0.00	0.00	20,557.00	0.00%
6011 Town Payroll Services	24,232.00	0.00	429.91	0.00	0.00%
6013 Water Salaries and Wages	0.00	5,193.00	22,503.00	45,000.00	50.01%
6014 Water Benefits	0.00	2,432.61	12,904.65	27,841.00	46.35%
6015 Admin Salaries and Wages	0.00	3,258.50	21,467.64	0.00	0.00%
6016 Admin Benefits	0.00	1,957.79	12,047.38	0.00	0.00%
6021 Public Postings	583.30	0.00	806.60	600.00	134.43%
6023 Travel/Fuel	998.59	89.04	495.77	1,500.00	33.05%
6024 Training	0.00	0.00	0.00	500.00	0.00%
6025 Books/Subscriptions/Memberships	0.00	0.00	818.99	200.00	409.50%
6030 Office Supplies and Expenses	3,158.00	999.06	4,429.92	3,300.00	134.24%
6032 Postage	0.00	6.70	907.70	1,182.00	76.79%
6035 Bank Service Charges	51.43	379.87	525.26	20.00	2,626.30%
6040 Professional Service	(3,369.45)	3,090.00	4,290.00	5,000.00	85.80%
6043 Accounting & Audit Fees	1,625.00	0.00	5,300.00	4,000.00	132.50%
6044 Water Testing	895.98	1,135.00	1,389.09	2,500.00	55.56%
6045 Legal Fees	4,207.00	0.00	4,322.98	16,700.00	25.89%
6050 System Maintenance and Repairs	6,411.32	0.00	652.79	8,500.00	7.68%
6051 System Equipment	0.00	1,137.66	4,772.66	8,580.00	55.63%
6052 Well Maintenance and Repairs	106.92	112.50	2,782.19	3,263.00	85.26%
6053 Tank Maintenance and Repairs	4,400.00	0.00	3,500.00	747.00	468.54%
6060 Equipment Maintenance	0.00	0.00	2,978.76	2,000.00	148.94%
6061 Equipment Fuel	0.00	0.00	1,377.48	3,500.00	39.36%
6067 Utilities	9,531.43	0.00	6,809.82	20,832.00	32.69%
6068 Telephone & Internet	999.00	0.00	437.75	1,250.00	35.02%
6070 Insurance	4,241.02	0.00	4,540.00	5,100.00	89.02%
6095 Depreciation Expense	58,294.95	0.00	0.00	116,800.00	0.00%
Total Operating expense	127,641.49	19,791.73	120,490.34	299,472.00	40.23%
Total Income From Operations:	(26,915.40)	5,084.97	55,241.42	24,490.00	225.57%
Non-Operating Items:					
Non-operating income					
5510 Grants	0.00	0.00	38,000.00	0.00	0.00%
5520 Impact Fees	15,000.00	61,000.00	81,000.00	212,500.00	38.12%
5610 Interest Income	16.80	0.00	1,426.64	200.00	713.32%
Total Non-operating income	15,016.80	61,000.00	120,426.64	212,700.00	56.62%
Non-operating expense					
6080 Interest Expense	46,313.95	7,583.29	45,630.08	94,599.00	48.24%
Total Non-operating expense	46,313.95	7,583.29	45,630.08	94,599.00	48.24%
Total Non-Operating Items:	(31,297.15)	53,416.71	74,796.56	118,101.00	63.33%
Total Income or Expense	(58,212.55)	58,501.68	130,037.98	142,591.00	91.20%

Big Plains Water & Sewer Special Service District
Check Register
Checking - SBSU - 12/01/2018 to 12/31/2018

Payee Name	Reference Number	Invoice Number	Invoice Ledger Date	Payment Date	Amount	Description	Ledger Account
USDA Rural Development	USDA121518-	40 - 2014 Water	12/15/2018	12/15/2018	6,619.55	Interest - 2014 Water Project	516080 - Interest Expense
USDA Rural Development	USDA121518-	40 - 2014 Water	12/15/2018	12/15/2018	2,651.45	Principal - 2014 Water Project	512520.2 - 2015 Water Bond 01 Re
USDA Rural Development	USDA121518-	40 - 2014 Water	12/15/2018	12/15/2018	963.74	Interest - 2014 Water Project Overrun	516080 - Interest Expense
Scholzen Products Company, Inc.	822	6342544	11/19/2018	12/18/2018	898.71	Valves for AV1	516052 - Well Maintenance and Rep
Hinton Burdick CPA's	825	195495	11/30/2018	12/18/2018	800.00	Progress Billing Audit FY2018	516043 - Accounting & Audit Fees
Rocky Mountain Power Company	RMP121818	NOV18	11/30/2018	12/18/2018	678.32	Electricity Nov	516067 - Utilities
Utah Retirement Systems	URS122118	PR121518-67	12/21/2018	12/21/2018	490.97	URS Retirement	512223 - Accrued State Retirement
ChemTech-Ford Laboratories	818	18K1345	12/10/2018	12/18/2018	444.00	AV#2, AV#1	516044 - Water Testing
Utah Retirement Systems	URS120718	PR120118-67	12/07/2018	12/07/2018	434.87	URS Retirement	512223 - Accrued State Retirement
Health Equity	HSA120718	PR120118-74	12/07/2018	12/07/2018	412.50	PEHP HSA	512224 - Accrued Health Insurance
Health Equity	HSA122118	PR121518-74	12/21/2018	12/21/2018	412.50	PEHP HSA	512224 - Accrued Health Insurance
Pelorus Methods	820	190101	12/01/2018	12/18/2018	400.00	Software Support	516030 - Office Supplies and Expen
USDA Rural Development	USDA121518-	40 - 2014 Water	12/15/2018	12/15/2018	305.26	Principal - 2014 Water Project Overrun	512521.2 - 2015 Water Bond 02 - R
Internal Revenue Service	EFTPS122118	PR121518-10	12/21/2018	12/21/2018	301.00	Social Security Tax	512221 - Accrued SS, MC & FIT Pay
Internal Revenue Service	EFTPS120718	PR120118-10	12/07/2018	12/07/2018	256.24	Social Security Tax	512221 - Accrued SS, MC & FIT Pay
ChemTech-Ford Laboratories	818	18K1344	12/10/2018	12/18/2018	251.00	Jessop Well, Canaan	516044 - Water Testing
Revco Leasing	821	514929	12/04/2018	12/18/2018	151.20	Copier Maintenance	516030 - Office Supplies and Expen
Xpress Bill Pay	XBP120618	37133	12/01/2018	12/06/2018	149.00	Monthly Support, Maintenance, Transaction F	516030 - Office Supplies and Expen
Little Creek Station	826	542324	11/29/2018	12/18/2018	128.16	33.91 Gal Diesel for Truck	516061 - Equipment Fuel
Little Creek Station	826	540636	11/15/2018	12/18/2018	125.44	33.91 Gal Diesel for Truck	516061 - Equipment Fuel
Department of Workforce Services	DWS122718	2018_Q4	12/27/2018	12/27/2018	113.69	Q4 Unemployment	516014 - Water Benefits
Internal Revenue Service	EFTPS122118	PR121518-10	12/21/2018	12/21/2018	111.58	Federal Income Tax	512221 - Accrued SS, MC & FIT Pay
Internal Revenue Service	EFTPS120718	PR120118-10	12/07/2018	12/07/2018	106.43	Federal Income Tax	512221 - Accrued SS, MC & FIT Pay
Utah State Tax Commission	USTC122818	PR102018-11	10/26/2018	12/28/2018	97.20	State Income Tax	512222 - Accrued state WTH Payabl
Utah State Tax Commission	USTC122818	PR100618-11	10/12/2018	12/28/2018	92.74	State Income Tax	512222 - Accrued state WTH Payabl
Utah State Tax Commission	USTC122818	PR110318-11	11/09/2018	12/28/2018	92.74	State Income Tax	512222 - Accrued state WTH Payabl
Utah State Tax Commission	USTC122818	PR121518-11	12/21/2018	12/28/2018	81.47	State Income Tax	512222 - Accrued state WTH Payabl
Apple Valley Self Storage	817	4242	12/01/2018	12/18/2018	80.00	Storage Unit - Dec	516052 - Well Maintenance and Rep
Utah State Tax Commission	USTC122818	PR111718-11	11/23/2018	12/28/2018	79.98	State Income Tax	512222 - Accrued state WTH Payabl
Department of Workforce Services	DWS122718	2018_Q4	12/27/2018	12/27/2018	75.80	Q4 Unemployment	516016 - Admin Benefits
Merritt, Harold	819	NOV18	11/30/2018	12/18/2018	71.02	Nov Mileage	516023 - Travel/Fuel
Internal Revenue Service	EFTPS122118	PR121518-10	12/21/2018	12/21/2018	70.38	Medicare Tax	512221 - Accrued SS, MC & FIT Pay
Utah State Tax Commission	USTC122818	PR120118-11	12/07/2018	12/28/2018	65.67	State Income Tax	512222 - Accrued state WTH Payabl
Scholzen Products Company, Inc.	822	6344444	11/28/2018	12/18/2018	65.04	Valve Parts for AV1	516052 - Well Maintenance and Rep
Internal Revenue Service	EFTPS120718	PR120118-10	12/07/2018	12/07/2018	59.92	Medicare Tax	512221 - Accrued SS, MC & FIT Pay
City of St. George	824	2713	12/07/2018	12/18/2018	45.00	3 Water Tests	516044 - Water Testing
Utah Retirement Systems	URS122118	PR121518-67	12/21/2018	12/21/2018	12.67	401K	512223 - Accrued State Retirement
Utah Retirement Systems	URS120718	PR120118-67	12/07/2018	12/07/2018	8.52	401K	512223 - Accrued State Retirement
Utah Local Governments Trust	823	1571456	11/27/2018	12/18/2018	6.90	Bonds Premium	516070 - Insurance
Health Equity	HE121918	8h95brn	12/06/2018	12/19/2018	2.25	HSA Fee for DEC	516014 - Water Benefits
Health Equity	HE121918	8h95brn	12/06/2018	12/19/2018	2.25	HSA Fee for DEC	516016 - Admin Benefits
Little Creek Station	826	NOV18-Discount	11/30/2018	12/18/2018	-2.54	Nov Discount	516061 - Equipment Fuel
					\$18,212.62		

Backup material for agenda item:

Discussion on Draft of FY 2018 Independent Auditors Report by Hinton Burdick

Big Plains Water & Sewer Special Service District

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

Big Plains Water & Sewer Special Service District

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June 30, 2018

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Independent Auditors' Report

Board and Management
Of Big Plains Water & Sewer SSD
Town of Apple Valley, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Big Plains Water & Sewer Special Service District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Big Plains Water & Sewer Special Service District, as of June 30, 2018, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Big Plains Water & Sewer Special Service District's basic financial statements. Other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2019, on our consideration of the Big Plains Water & Sewer Special Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Big Plains Water & Sewer Special Service District's internal control over financial reporting and compliance.



HintonBurdick, PLLC
St. George, Utah
January 28, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Big Plains Water & Sewer Special Service District
Management's Discussion and Analysis
June 30, 2018

As management of Big Plains Water & Sewer Special Service District (the District), we offer readers of the District's financial statements this narrative overview and analysis of financial activities of the District for the fiscal year ended June 30, 2018.

FINANCIAL HIGHLIGHTS

*Total net position for the District increased by \$191,315

*Total unrestricted net position for the District decreased by \$68,654

*Operating revenues increased by \$5,171

*Operating expenses increased by \$19,317

BASIC FINANCIAL STATEMENTS

The District is a special-purpose government engaged in business-type activities. All transactions related to its activities are recorded in a single enterprise fund. Enterprise funds are used to account for the operations financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services (including depreciation), on a continuing basis, be financed or recovered primarily through user charges.

The financial statements presented in this report are those required of an enterprise fund and consist of (1) the statement of net position, (2) the statement of revenues, expenses, and changes in net position, (3) the statement of cash flows, and (4) the notes to the financial statements.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as useful indicator of whether the financial position is improving or deteriorating. However, other non-financial factors need to be considered as well.

The statement of revenues, expenses and changes in net position (the income statement) presents information about the amounts of revenues, expenses, and resulting net income for the year. Net income is the change in net position. All items of income and expense are reported as soon as the underlying event giving rise to those items occurs, regardless of when cash is received or paid.

The statement of cash flows starts with the amounts of net income and removes the non-cash portion (the receivables and payables which did not provide or use cash), thus converting the amounts to a cash basis.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District.

Big Plains Water & Sewer Special Service District
Management's Discussion and Analysis
June 30, 2018

FINANCIAL ANALYSIS

Big Plains Water & Sewer Special Service District's Net Position

	Current Year	Previous Year	Change
Current and other assets	\$ 315,264	38,455	276,809
Non-current assets	5,841,373	5,470,445	370,928
Total assets	6,156,637	5,508,900	647,737
Other liabilities	189,896	51,384	138,512
Long-term liabilities outstanding	5,256,334	4,938,424	317,910
Total liabilities	5,446,230	4,989,808	456,422
Net position:			
Net investment in capital assets	618,040	441,898	176,142
Restricted	214,951	131,124	83,827
Unrestricted	(122,584)	(53,930)	(68,654)
Total net position	\$ 710,407	519,091	191,315

As noted earlier, net position may serve over time as a useful indicator of financial position. Total assets and exceeded total liabilities at the close of the year by \$710,407, an increase of \$191,315 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net position at the end of the year is a deficit of \$122,584, which represents a decrease of \$68,654 from the previous year. Unrestricted net position are those resources available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other liabilities due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

Big Plains Water & Sewer Special Service District
Management's Discussion and Analysis
June 30, 2018

FINANCIAL ANALYSIS (continued)

Big Plains Water & Sewer Special Service District's Change in Net Position

	Current Year	Previous Year	Change
Operating income:			
Service income	\$ 223,727	270,410	(46,683)
Connection fees	21,650	11,700	9,950
Other operating income	41,904	-	41,904
Total operating income	287,281	282,110	5,171
Operating expenses:			
Utilities	16,808	12,953	3,855
Repair and maintenance	17,997	28,090	(10,093)
Professional services	107,161	83,435	23,726
Other supplies and expenses	9,259	8,400	859
Insurance expense	4,241	3,711	530
Depreciation expense	117,195	116,756	439
Total operating expense	272,662	253,346	19,317
Net operating income (loss)	14,619	28,764	(14,146)
Non-operating income (expense):			
Impact fees	36,000	22,600	13,400
Grants	243,125	42,000	201,125
Interest income	1,710	514	1,196
Legal fee expenses	(11,410)	(10,001)	(1,409)
Interest on long-term debt	(92,730)	(93,649)	919
Total non-operating income (expense)	176,696	(38,536)	215,232
Change in net position	\$ 191,315	(9,772)	201,087

Service income decreased by \$46,683. Connection fees increased by \$9,950. Other operating income increased by \$41,904.

Depreciation expense is the largest single element of operating costs and increased from the amount of the previous year by \$439. The largest single increase in operating expenses was for professional services in the amount of \$23,726.

Impact fees increased by \$13,400 and grants increased by \$201,125.

Big Plains Water & Sewer Special Service District
Management's Discussion and Analysis
June 30, 2018

BUDGETARY HIGHLIGHTS

The District operates as an enterprise fund and is required to comply with the operating budget on an entity-wide basis.

	Original	Amended	Actual
Revenues	\$ 1,038,725	1,159,625	568,116
Expenses	297,240	403,840	376,801
Net income	\$ 741,485	755,785	191,315

CAPITAL ASSETS AND DEBT ADMINISTRATION

Big Plains Water & Sewer Special Service District's Capital Assets

	Current Year	Previous Year	Change
Net Capital Assets:			
Land	\$ 21,507	21,507	-
Water rights	996,483	996,483	-
Machinery and equipment	36,952	36,352	600
Water systems	5,237,926	4,585,547	652,379
Construction in progress	-	33,733	(33,733)
 Total	 6,292,868	 5,673,621	 619,247
 Less accumulated depreciation	 (451,495)	 (334,300)	 (117,195)
 Net Capital Assets	 \$ 5,841,373	 5,339,321	 502,052

The total amount of net capital assets of \$5,841,373 is an increase of \$502,052 from the previous year.

The amount of increase in net capital assets represents the amount that investment in new capital assets exceeded depreciation charged on capital assets.

Additional information regarding capital assets may be found in the notes to financial statements.

Big Plains Water & Sewer Special Service District
Management's Discussion and Analysis
June 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Big Plains Water & Sewer Special Service District's Outstanding Debt

	Current Year	Previous Year	Change
Business-type activities:			
2004 F-250 Truck Lease	\$ -	4,793	(4,793)
2016 Aquafer Study	33,000	41,000	(8,000)
2018 Water Bond Series A	88,000	-	88,000
2012 Water Project	2,200,000	2,285,000	(85,000)
2018 Water Bond Series B	362,000	-	362,000
2015 Water Bond 02	290,633	294,159	(3,526)
2015 Water Bond 01	2,282,701	2,313,472	(30,771)
Total business-type	5,256,334	4,938,424	317,910
Total outstanding debt	\$ 5,256,334	4,938,424	317,910

Additional information regarding the long-term liabilities may be found in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

No significant economic changes that would affect the District are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Big Plains Water & Sewer Special Service District, 688 N Paradise Ln, Bldg A, Apple Valley, UT 84737.

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BASIC FINANCIAL STATEMENTS

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Big Plains Water & Sewer Special Service District
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2018

	Utility Fund
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ -
Accounts receivable	45,548
Due from other governments	54,765
Total current assets	<u>100,313</u>
Non-current assets:	
Restricted cash and cash equivalents	214,951
Capital assets:	
Not being depreciated	1,017,990
Net of accumulated depreciation	4,823,383
Total non-current assets	<u>6,056,325</u>
Total assets	<u>\$ 6,156,637</u>
LIABILITIES:	
Current liabilities:	
Checks written in excess of unrestricted cash balance	\$ 25,864
Accounts payable	120,462
Accrued liabilities	6,712
Customer deposits	8,100
Accrued interest payable	4,310
Due to other governments	24,448
Revenue bonds, current portion	145,535
Total current liabilities	<u>335,431</u>
Non-current liabilities:	
Revenue bonds, long-term	5,110,799
Total non-current liabilities	<u>5,110,799</u>
Total liabilities	<u>5,446,230</u>
NET POSITION:	
Net investment in capital assets	618,040
Restricted	214,951
Unrestricted	(122,584)
Total net position	<u>710,407</u>
Total liabilities and net position	<u>\$ 6,156,637</u>

The notes to the financial statements are an integral part of this statement.

Big Plains Water & Sewer Special Service District
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN NET POSITION - PROPRIETARY FUND**

For the year ended June 30, 2018

	Utility Fund
Operating income:	
Charges for sales and service	\$ 223,727
Connection fees	21,650
Other operating income	41,904
Total operating income	287,281
Operating expenses:	
Utilities	16,808
Repair and maintenance	17,997
Professional services	107,161
Other supplies and expenses	9,259
Insurance expense	4,241
Depreciation expense	117,195
Total operating expense	272,662
Net operating income (loss)	14,619
Non-operating income (expense):	
Impact fees	36,000
Grants	243,125
Interest income	1,710
Legal fee expenses	(11,410)
Interest on long-term debt	(92,730)
Total non-operating income (expense)	176,696
Change in net position	191,315
Net position - beginning	519,092
Net position - ending	\$ 710,407

The notes to the financial statements are an integral part of this statement.

Big Plains Water & Sewer Special Service District

STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

	Utility Fund
Cash flows from operating activities:	
Cash received from customers - service	\$ 370,229
Cash paid to suppliers	(75,813)
Net cash provided (used) in operating activities	294,416
Cash flows from noncapital financing activities:	
Change in due to/from other governments	(120,357)
Change in customer deposits	8,100
Net cash provided (used) in noncapital financing activities	(112,257)
Cash flows from capital and related financing activities:	
Cash received from impact fees	36,000
Cash received from grants	243,125
Cash received from bonds issued	450,000
Cash payments for capital assets	(619,247)
Cash payments for legal fees	(11,410)
Cash payments for long-term debt principal	(132,090)
Cash payments for long-term debt interest	(92,284)
Net cash provided (used) in capital and related financing activities	(125,906)
Cash flows from investing activities:	
Cash received from interest earned	1,710
Net cash provided (used) in investing activities	1,710
Net increase (decrease) in cash	57,963
Cash balance - beginning	131,124
Cash balance - ending	\$ 189,087
Cash reported on the statement of net position:	
Cash and cash equivalents	\$ -
Checks written in excess of unrestricted cash balance	(25,864)
Non-current restricted cash	214,951
Total cash and cash equivalents	\$ 189,087

(The Statement of Cash Flows continues on the following page)

The notes to the financial statements are an integral part of this statement.

Big Plains Water & Sewer Special Service District
STATEMENT OF CASH FLOWS (continued)
For the year ended June 30, 2018

Reconciliation of Operating Income to Net Cash Provided (Used) in Operating Activities:	Utility Fund
Net operating income (expense)	\$ 14,619
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:	
Depreciation and amortization	117,195
Changes in assets and liabilities:	
(Increase) decrease in receivables	82,948
Increase (decrease) in payables and accrued liabilities	79,654
Net cash provided (used) in operating activities	\$ 294,416

The notes to the financial statements are an integral part of this statement.

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

Big Plains Water & Sewer Special Service District (the District), a special service district located in Washington County, Utah, was organized for the purpose of providing culinary water service and sewer service to the residents of the District. The District operates under the direction of a Board of Trustees. All trustees are appointed by the Town of Apple Valley Mayor.

The District is a component unit of the Town of Apple Valley, Utah. For fiscal years up to and including the year ended June 30, 2018 the Town has managed water billings and related collections on behalf of the District. In those same years, the District has contracted with the Town to have Town personnel provide accounting services to the District.

1-B. Financial statements

The financial statements presented are those required of an enterprise fund and consist of the statement of net position, the statement of revenues, expenses, and changes in net position and the statement of cash flows. The District is considered a special-purpose government engaged in business-type activities and records all of the transactions related to its activities in a single enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods and services (including depreciation), on a continuing basis, be financed or recovered primarily through user charges. No fiduciary funds or components that are fiduciary in nature are included.

1-C. Measurement focus, basis of accounting and financial statement presentation

Measurement focus is commonly used to describe the types of transactions and events that are reported in a fund's operating statement. The operating statement of an enterprise fund focuses on changes in, or the flow of, *economic* resources. With this measurement focus, all assets and liabilities associated with the operation of the fund, both current and non-current, are included on the statement of net assets. Thus, net position (total assets and deferred out flows of resources less total liabilities and deferred inflows of resources) are used as a practical measure of economic resources.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. As a practical matter, a fund's basis of accounting is inseparably tied to its measurement focus. Funds that focus on total economic resources employ the full accrual basis of accounting, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs. Under accrual accounting, revenues are recognized as soon as they are earned, and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. The District also recognizes the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1-E-1. Deposit and Investments

Cash includes cash on hand, demand deposits with bank and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The District's policy allows for investment in fund in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

1-E-2. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

1-E-3. Receivables and Payables

Accounts receivable other than intergovernmental receivables are from customers primarily for utility services. Intergovernmental receivables are considered collectible. Customer accounts are reported net of allowance for uncollectable accounts. Due to the nature of the accounts receivable, management does not consider an allowance for uncollectable accounts receivable necessary or material. Therefore, no allowance for uncollectable accounts receivable is presented.

1-E-4. Restricted Assets

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the statement of net position because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net position.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash.

1-E-5. Inventories and Prepaid items

Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis.

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

**1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(continued)**

1-E-6. Capital Assets

Capital assets includes property, plant, equipment, and infrastructure assets, and are reported in the statement of net position. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts.

Property, plant, and equipment of the primary government, as well as the component unit, if any, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Distribution and collection system	40
Equipment	5-20

1-E-7. Long-term Obligations

In the proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the proprietary fund statement of net position. Bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

1-E-8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. For the year ended June 30, 2018, the District did not have deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. For the year ended June 30, 2018, the District did not have deferred inflows of resources.

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

**1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(continued)**

1-E-9. Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

1-F. Tax abatements

The District has not entered into any tax abatement agreements and the District is not aware of any tax abatement agreements that have been entered into by other governments that would reduce the District's tax revenues.

1-G. Estimates

GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary data

An annual operating budget is adopted by the District's board of trustees, on a basis consistent with generally accepted accounting principles, and as prescribed by state regulation. The budget is adopted prior to the beginning of the year to which it applies after a public hearing has been held. Subsequent amendments to the operating budget may be made after a public hearing.

A capital budget is also adopted by the board of trustees which identifies planned capital asset additions and requirements for long-term debt service principal payments, as well as the plan for financing these items.

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2018 consist of the following:

	Fair Value
Demand deposits	\$ (21,102)
Investments - PTIF	210,189
Total cash	<u>\$ 189,087</u>

Cash and investments listed above are classified in the accompanying government-wide statement of net position as follows:

Cash and cash equivalents (current)	\$ (25,864)
Restricted cash and cash equivalents (non-current)	214,951
Total cash and cash equivalents	<u>\$ 189,087</u>

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that District funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The District maintains monies not immediately needed for expenditure in PTIF accounts. A copy of the financial statements for the PTIF funds can be obtained by contacting the Utah State Treasurer.

As of June 30, 2018, the District had the following investments, ratings, and maturities:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Utah Public Treasurer's Investment Fund	\$ 210,189	N/A	51.96
Total Fair Value	<u>\$ 210,189</u>		

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

(2) Interest Rate Risk is estimated using the weighted average days to maturity.

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

3-A. Deposits and investments (continued)

Fair value of investments

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows: Level 1--Quoted prices for identical investments in active markets; Level 2--Observable inputs other than quoted market prices; and, Level 3--Unobservable inputs. At June 30, 2018, the District had \$210,189 invested in the PTIF, which uses a Level 2 fair value measurement.

Deposit and investment risk

The District maintains no investment policy containing any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The District's compliance with the provisions of UMMA addresses each of these risks.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the District are available immediately.

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. At June 30, 2018, all of the District's demand deposits are covered by FDIC insurance.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

3-B. Receivables

The allowance policy is described in Note 1-E-3. Receivables as of year-end for the District's funds are shown below:

	Utility Fund
Due from Apple Valley Town	\$ 54,765
Total receivables	\$ 54,765

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

3-C. Capital assets

Capital asset activity for the business-type activities was as follows:

	Beginning			Ending
	Balance	Additions	Retirements	Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 21,507	-	-	21,507
Water rights	996,483	-	-	996,483
Construction in progress	33,733	617,729	651,462	-
Total capital assets, not being depreciated	1,051,723	617,729	651,462	1,017,990
Capital assets, being depreciated:				
Distribution and collection systems	4,585,547	652,379	-	5,237,926
Equipment	36,352	600	-	36,952
Total capital assets, being depreciated	4,621,899	652,979	-	5,274,878
Less accumulated depreciation for:				
Distribution and collection systems	326,830	115,355	-	442,186
Equipment	7,470	1,839	-	9,309
Total accumulated depreciation	334,300	117,195	-	451,495
Total capital assets being depreciated, net	4,287,599	535,785	-	4,823,383
Business-type activities capital assets, net	\$ 5,339,321	1,153,514	651,462	5,841,373

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

3-D. Long-term liabilities

Long-term debt activity for business-type activities was as follows:

	Original Principal	% Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2004 F-250 Truck Lease							
Matures 6/25/2018	\$ 18,000	4.00	\$ 4,793	-	4,793	-	-
2016 Aquafer Study							
Matures 10/1/2021	41,000	-	41,000	-	8,000	33,000	8,000
2018 Water Bond Series A							
Matures 10/1/2037	88,000	-	-	88,000	-	88,000	4,000
2012 Water Project							
Matures 1/1/2044	2,540,000	-	2,285,000	-	85,000	2,200,000	85,000
2018 Water Bond Series B							
Matures 5/1/2048	362,000	1.00	-	362,000	-	362,000	13,000
2015 Water Bond 02							
Matures 8/15/2054	300,000	4.00	294,159	-	3,526	290,633	3,669
2015 Water Bond 01							
Matures 9/15/2054	2,364,800	3.50	2,313,472	-	30,771	2,282,701	31,865
Total business-type activity							
 long-term liabilities			\$ 4,938,424	450,000	132,090	5,256,334	145,535

Debt service requirements to maturity for business-type activities are as follows:

For the year ending June 30,	Principal	Interest	Total
2019	\$ 145,535	94,565	240,100
2020	143,818	93,152	236,970
2021	147,147	91,723	238,870
2022	147,524	90,236	237,760
2023	140,952	88,698	229,650
2024-2028	726,039	418,561	1,144,600
2029-2033	777,312	371,478	1,148,790
2034-2038	832,200	315,600	1,147,800
2039-2043	876,383	249,317	1,125,700
2044-2048	614,872	170,558	785,430
2049-2053	554,068	78,332	632,400
2054-2055	150,484	3,504	153,988
Total	\$ 5,256,334	2,065,724	7,322,058

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

3-E. Capital lease

The District acquired a truck through capital lease. Amortization of the truck under capital lease is included in depreciation expense. The cost of the truck at acquisition amounted to \$18,500. Depreciation accumulated since acquisition amounts to \$3,738, leaving a carrying value as of June 30, 2018 of \$14,762.

Lease payments are included in the schedules of long-term debt in Note 3-D. The capital lease was paid in full during the year.

3-F. Restricted net position

At June 30, 2018, the District's restricted net position is as follows:

Business-type:	
Net investment in capital assets	\$ 618,040
Impact fees	24,062
Bond fund	58,809
Reserve fund	86,409
Capital facility replacement	45,672
Unrestricted	(122,584)
Total net position	<u>\$ 710,407</u>

NOTE 4 - OTHER INFORMATION

4-A. Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The District is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

4-B. Rounding convention

A rounding convention to the nearest whole dollar has been applied throughout this report, therefore the precision displayed in any monetary amount is plus or minus \$1. These financial statements are computer generated and the rounding convention is applied to each amount displayed in a column, whether detail item or total. As a result, without the overhead cost of manually balancing each column, the sum of displayed amounts in a column may not equal the total displayed. The maximum difference between any displayed number or total and its actual value will not be more than \$1.

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OTHER SUPPLEMENTARY INFORMATION

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Big Plains Water & Sewer Special Service District
OTHER SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

This information is required by one of the Big Plains Water and Sewer Special Service District's bondholders to be included in the notes to the financial statements. It is not otherwise a required item for disclosure.

Insurance Coverage

The Big Plains Water and Sewer Special Service District was insured for General Liability and Auto by the Utah Local Government Trust as of June 30, 2018. The following is a summary of the relevant coverages at June 30, 2018:

<u>Policy #17220-GL2012:</u>	<u>Amount of Coverage</u>	<u>Expires</u>
General Liability	\$ 2,000,000	9/30/2019
Auto Bodily Injury	2,000,000	9/30/2019
Auto Property Damage	2,000,000	9/30/2019
Personal Injury Protection	As State Requires	9/30/2019
Underinsured Motorist	80,000	9/30/2019
Uninsured Motorist	80,000	9/30/2019
Pollution Exclusion Endorsement	50,000	9/30/2019
No Fault Sewer Cleanup	5,000	9/30/2019

Water System Cutomers and Connections

Customers	466
Connections	352
Total revenues billed	\$ 223,727

Schedule of Water Rates

	<u>Cost Per 1,000 Gallons:</u>	
Water - Base of \$29.00	5,000	\$ 1.50
	5,001-12,000	\$ 1.75
	12,001-25,000	\$ 2.00
	25,001-35,000	\$ 2.25
	35,001-45,000	\$ 2.50
	45,001+	\$ 2.75

Established Funds and Balances

Impact fees	\$ 24,062
Bond Fund	58,809
Reserve Fund	86,409
Capital Facilities Replacement Fund	45,672

Governing Body

Harold Merritt	Chairman
Neil Duncan	Secretary
Robert Campbell	Treasurer
Ross Gregerson	Board Member
Trevor Black	Board Member

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**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Board and Management
Of Big Plains Water & Sewer SSD
Town of Apple Valley, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Big Plains Water & Sewer Special Service District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, as described in the accompanying schedule of findings and recommendations that we consider to be a significant deficiency.

2018-001 Bank Reconciliation

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Big Plains Water & Sewer Special Service District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying response to the findings and recommendations. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


HintonBurdick, PLLC
St. George, Utah
January 28, 2019



HINTONBURDICK CPAs & ADVISORS

Independent Auditors' Report on Compliance and Report on Internal Control Over Compliance As Required by the State Compliance Audit Guide

Board and Management
Of Big Plains Water & Sewer SSD
Town of Apple Valley, Utah

Report on Compliance

We have audited the Big Plains Water & Sewer Special Service District's (District) compliance with the applicable general state requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the District for the year ended June, 30, 2018.

General state compliance requirements were tested for the year ended June 30, 2018 in the following areas:

Budgetary Compliance
Fund Balance
Open and Public Meetings Act
Treasurer's Bond

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the District occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion

In our opinion, the District complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations as item 2018-003. Our opinion on compliance is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying Response to Findings. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the state compliance requirements referred to above to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

We did note matters involving internal control over compliance or certain deficiencies which we are submitting for your consideration. These matters are described in the accompanying letter of Findings and Recommendations.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.



HintonBurdick, PLLC
St. George, Utah
January 28, 2019

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**Findings and Recommendations
For the Year Ended June 30, 2018**

Board and Management
Of Big Plains Water & Sewer SSD
Town of Apple Valley, Utah

Professional standards require that we communicate, in writing, deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. We wish to commend the District for their administrative achievements and oversight of the District's accounting and budget system. During our audit of the financial statements of the Big Plains Water & Sewer SSD for the fiscal year ended June 30, 2018 we noted a few circumstances that, if improved, would strengthen the District's accounting system and control over its assets. These items are discussed below for your consideration.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Material Weaknesses:

None Noted

Significant Deficiencies:

2018-001 Bank Reconciliation

Criteria: Bank reconciliations are a key internal control process for the District.

Condition: Through inquiry and observation, we noted that some of the bank reconciliations may not have been reviewed by another personnel.

Cause: Staffing shortages may have affected the ability of the District's personnel to complete the bank reconciliations review. Also, internal controls over the bank reconciliation process may not have been properly designed and implemented to perform bank reconciliation reviews.

Effect: There is no documentation of the District's bank reconciliations being reviewed by someone other than the person who prepared the reconciliation.

Recommendation: We recommend that Management continue to allocate the District's resources to make sure the District's bank reconciliations are completed and reviewed

by two different personnel, with that review documented with a signature on the reconciliation or by other means of documentation.

COMPLIANCE AND OTHER MATTERS:

Compliance:

2018-002 Deposits

Criteria: The state requires all public funds to be deposited daily, whenever practicable, but not later than three days after receipt. (Utah Code 51-4-2(2))

Condition: Some deposits exceeded the three-day requirement.

Cause: Staffing shortages and lack of proximity to a bank.

Effect: The District is not in compliance with state law.

Recommendation: We recommend that the District implement procedures to ensure that the cash receipts are deposited within three days of being received.

2018-003 Deficit Fund Balance

Criteria: UCA 17B-1-613-(2) required Districts with a deficit unrestricted net position to budget in the next budget year 5% or more of the Districts total actual revenue of the audited year towards reduction of the deficit.

Condition: The proprietary fund ended fiscal year 2018 with a deficit in unrestricted fund balance and has not budgeted the required minimum 5% of fiscal year 2018 actual revenues towards reduction of the deficit in fiscal year 2019.

Cause: The District's internal controls were not designed or implemented to note, consider, and address the deficit at the time of budgeting.

Effect: The District is not in compliance with Utah Code 17B-1-613-(2).

Recommendation: We recommend the District continue its efforts to eliminate the proprietary fund deficit unassigned/unrestricted fund balance, and amend its budget to be compliant with state law.

Other Matters:

None

Responses

Please respond to the above Findings and Recommendations in letter form.

This report is intended solely for the information and use of the District management, and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the District this past year. We would like to express special thanks to all those who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,

A handwritten signature in black ink that reads "Hinton Burdick, PLLC". The signature is written in a cursive, flowing style.

HintonBurdick, PLLC
January 28, 2019

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